

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Matthews Analyst: Kristina E. North Bill Number: AB 2127
Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: February 20, 2002
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Asthma and Lung Disease Research Fund

SUMMARY

This bill would reestablish an individual taxpayer's ability to make voluntary contribution on their tax return to benefit asthma and lung disease research.

PURPOSE OF THE BILL

The author's office has indicated that the purpose of the bill is to reestablish a funding source for asthma and lung disease research.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2003, and would apply to returns filed for taxable years beginning with the first taxable year another voluntary contribution designation is removed from the tax return and a voluntary contribution designation for this fund is added. The designation for this fund would remain on the tax return until January 1 of the fifth year following its first appearance on the tax return. Thus, the designation would remain on the return for a total of five years.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal tax law provides a checkoff to direct \$3 of a taxpayer's tax liability to the Presidential Election Fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 10 voluntary contribution funds listed on the 2001 state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the State Controller's actual costs to administer the fund.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Alan Hunter for GHG

03/21/02

Under prior state law the Lung Disease and Asthma Research Fund appeared on the 2000 California personal income tax return. Approximately \$168,500 was contributed in 2000. Because the fund failed to meet the required minimum contribution amount of \$250,000, it was repealed, and did not appear on the 2001 income tax return.

THIS BILL

This bill would reestablish the Lung Disease and Asthma Disease Research Fund as the Asthma and Lung Disease Research Fund, and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require FTB to include a designation space for the fund beginning with the first taxable year another voluntary contribution fund designation is removed. **This bill** would allow the voluntary contribution designation to remain on the tax return for five years. If after the second calendar year the fund appears on the tax return the FTB estimates that contributions to the fund will be less than \$250,000, the provisions of this bill would be repealed.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the Asthma and Lung Disease Research Fund.

This bill would require that all money transferred to the Asthma and Lung Disease Research Fund, upon appropriation by the Legislature, be allocated first to the FTB and the Controller for reimbursement of costs incurred performing their duties under this article. Then, money would be allocated to the University of California for allocation to the American Lung Association of California to provide research grants to develop and advance the understanding, causes, techniques, and modalities effective in the prevention, care, treatment, and cure of lung disease.

This bill would require any contribution amounts designated to the Lung Disease and Asthma Research Fund prior to the fund's repeal continue to be transferred and disbursed pursuant to the article as in effect on January 1, 2002.

IMPLEMENTATION CONSIDERATION

Implementing this bill would not significantly impact the department's programs and operations.

TECHNICAL CONSIDERATION

The uncodified language requiring contribution amounts to be transferred and disbursed pursuant to the article authorizing the Lung Disease and Asthma Research Fund is unnecessary and conflicting. The article, in section 18835(d), already provided for the transfer and disbursement of the contribution amounts collected prior to its repeal, and the article was repealed prior to January 1, 2002.

LEGISLATIVE HISTORY

SB 1932 (Solis, Stats. 2000, Ch. 818) established the Asthma and Lung Disease Research Fund for placement on the 2000 personal income tax return filed in 2001.

PROGRAM BACKGROUND

Ten voluntary contribution funds appeared on the 2001 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.7 million in 2000/2001. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a voluntary contribution fund comparable to the voluntary contribution fund allowed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Assuming the minimum level of contributions are achieved each year, potential revenue losses would be very minor, on the order of \$15,000 annually beginning with the fiscal year commencing after the fund designation appears on filed tax returns. The loss would result from itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was over \$3.7 million for fiscal year 2000/2001 with an average of \$250,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6%.

POLICY CONCERN

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

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